



Sean Rogan
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**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

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ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

3-D September 20, 2016

LORI GLASGOW
EXECUTIVE OFFICER

September 20, 2016

The Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVAL OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS FOR SUN SAGE HOMES
IN UNINCORPORATED SOUTH WHITTIER AND LENNOX
(DISTRICTS 2 AND 4) (3 VOTE)**

SUBJECT

This letter recommends the allocation of up to \$330,000 in Community Development Block Grant (CDBG) funds to Sun Sage Homes L.P. (Developer), a California Limited Partnership, for the acquisition and rehabilitation of Sun Sage Homes (Project), which consists of: Sunshine Terrace Apartments, a 50-unit multi-family rental housing development located at 10800 Laurel Avenue in unincorporated South Whittier; and Osage Apartments, a 21-unit multi-family rental housing development located at 11128 South Osage Avenue in unincorporated Lennox. The Developer will assume the existing HOME Investment Partnerships Program (HOME) and CDBG loans on the properties in addition to the new allocation of \$330,000 in CDBG funds.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve a loan of up to \$330,000 in CDBG funds to the Developer for the acquisition and rehabilitation of 71 units of multi-family rental housing in the unincorporated areas of South Whittier and Lennox.
2. Approve a Loan Agreement between the Community Development Commission of the County of Los Angeles (Commission) and the Developer, in a total amount of up to \$5,083,719, which includes the existing HOME and CDBG loans in the amount of \$4,753,719, following approval as to form by County Counsel.
3. Authorize the Executive Director, or his designee, to negotiate, execute, and if required, terminate

the Loan Agreement, to subordinate the existing Deed of Trust to the senior lenders, and to modify the residual receipt payments, following approval as to form by County Counsel.

4. Authorize the Executive Director, or his designee, to negotiate, execute, amend, and if necessary, terminate all related documents, including but not limited to, documents to subordinate the loan to construction and permanent financing, and any intergovernmental, interagency, or inter-creditor agreements needed for the implementation of the Project, following approval as to form by County Counsel.

5. Find that the approval of the Loan Agreement and related documents is not subject to the provisions of the California Environmental Quality Act (CEQA) because the action is not defined as a project under CEQA.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions is to execute the Loan Agreement and all related documents, and to subordinate the existing HOME and CDBG loan, in order to extend the useful life of the Project and preserve 71 units of affordable housing. The Loan Agreement will extend the affordability term for Sunshine Terrace by an additional 38 years, through September 2073, while Osage Apartments will remain affordable in perpetuity.

FISCAL IMPACT/FINANCING

There is no impact on County General Fund.

The proposed action will be funded with up to \$330,000 in CDBG funds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In 1990, the Commission provided \$575,000 in CDBG funding to Abode Communities, (formerly known as Los Angeles Community Design Center), for the acquisition and construction of Osage Apartments, an affordable 21-unit multifamily property located at 11128 S. Osage Avenue in unincorporated Lennox. In 1997, the Commission provided a HOME loan of \$2,065,231 and a CDBG loan of \$1,391,079 to Abode Communities for the acquisition and construction of Sunshine Terrace Apartments, an affordable 50-unit multifamily property located at 10800 Laurel Avenue in unincorporated South Whittier.

In 2013, your Board authorized \$330,000 in CDBG funds for the Osage Apartments development; however, these funds were never issued or expended. The proposed action would reallocate these CDBG funds to the Developer.

On January 5, 2015 Abode Communities submitted a proposal to consolidate and restructure the existing loan agreements for Osage Apartments and Sunshine Terrace Apartments. On May 10 and 17, 2016, your Board authorized the amendments to the Disposition and Developments Agreements for the Sunshine Terrace Apartments and Osage Apartments that allowed for the modification to the simple interest rate, as well as the intent to issue Multifamily Housing Mortgage Revenue Bonds.

On September 6, 2016, your Board approved the issuance, sale and delivery of such bonds. Subsequently, the Housing Authority of the County of Los Angeles will issue the tax-exempt Multifamily Housing Mortgage Revenue Bonds or Notes in an aggregate amount of up to \$9,450,000.

Other committed financing sources include low-income housing tax credit equity and private financing made available by CitiBank, in addition to the assumption of an existing loan with the California Department of Housing and Community Development.

These financing sources will be used in the acquisition and rehabilitation of the Project with an estimated cost of \$17.8 million. Interior improvements being proposed are replacement of kitchen cabinets, carpet, water heaters, appliances, and plumbing upgrades. Exterior improvements will include painting, repairs to walkways and parking lots, a new tot lot, and landscaping upgrades to include drought-tolerant plant species.

Through the approval of the above actions, the Developer will assume the existing HOME and CDBG loans, and will utilize the additional \$330,000 in CDBG funds for soft costs specifically related to the acquisition and rehabilitation of the Osage Apartments. The Developer will reserve 69 units to households at or below 60% of Area Median Income, plus two non-restricted manager units. A total of 59 units will be Commission-assisted units.

ENVIRONMENTAL DOCUMENTATION

Pursuant to 24 Code of Federal Regulation, Part 58, Section 58.35 (a) (3)(ii), this project is excluded from the National Environmental Policy Act, because it involves activities that will not alter existing environmental conditions. It is categorically exempt from the provisions of CEQA. The Project, to approve the Loan Agreement and complete renovations at Osage Apartments in unincorporated Lennox, is within a class of projects that has been determined not to have a significant effect on the environment in that it meets the criteria set forth in Section 15301 of the CEQA Guidelines and Class 1 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G. In addition, the project is not in a sensitive environment, and there are no cumulative impacts, unusual circumstances, or other limiting factors that would make the exemption inapplicable based on the project records.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of these actions will extend the useful life of the Project and preserve of the supply of affordable housing in the County with long term affordability.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN

Executive Director

SR:CC:jr